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OCTOBER 8-12

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SECOND VICE PRESIDENT AND FINANCE MINISTER MAINTAINS SPAIN
WILL STILL GROW BY 3.3% IN 2008

[11](#). (U) The President of the Bank of Spain, Miguel Angel
Fernandez Ordonez, forecasts 2008 GDP growth of 3% or
possibly somewhat less. The IMF currently forecasts 2.7%
growth for Spain in 2008. (Comment: The lower central bank
forecast is perhaps most interesting, as Fernandez was
appointed to his position by the Socialist government, so he
is demonstrating independence by submitting this lower
forecast. Also, while the IMF is still led by former Partido
Popular Finance Minister Rodrigo Rato, the Zapatero
government cannot claim the Fund's lower growth estimates to
be entirely politically driven, as the IMF is revising growth
estimates downwards for many countries as a result of
financial sector turbulence.) (El Pais, 10/10/07 and
Expansion, 10/10/07)

NEW MINIMUM WAGE?

[12](#). (U) Second Vice President and Finance Minister Pedro
Solbes is in a new public spat with a cabinet colleague, this
time with Minister of Labor Jesus Caldera's proposal to
insert into the ruling Socialist party's electoral program a
commitment to raise the minimum wage from 570 euros to 800
euros a month. (Comment: Caldera is a political heavyweight,
so Solbes is expected to lose this battle, although he will
no doubt seek to delay the implementation of the proposal for
as long as possible. Given all the other inflationary
pressures on the Spanish economy, he can certainly muster
strong economic arguments.) (Expansion 10/10/07)

PRICES RISE FOR BASIC FOODSTUFFS

[13](#). (U) Spaniards notice increases in prices of basic
foodstuffs such as milk, beans, oranges, lemons, etc. During

the month of September, for instance, the price of milk rose 12.7%. According to an Expansion poll, over 90% of Spaniards say they have noticed the rise in prices of basic food products. (Comment: What is happening in Spain is not very different from what is happening in the rest of the world as a result of greater Asian demand for food plus the shift to biofuels. It is not clear if these rises will have an electoral impact in the next parliamentary elections, expected in March, 2008.) (Expansion, 10/10/07)

MINNESOTA ILLEGAL DOWNLOADING COURT JUDGMENT WIDELY REPORTED

14. (U) Minnesota court USD 220,000 judgment against internet illegal song downloader Jamie Thomas was widely reported in the Spanish press. The Spanish articles report that courts in Spain cannot fine illegal consumer downloaders unless they can prove a profit motive, i.e. a commercial scale gain. However, the Spanish Society of Authors and Editors (SGAE - MPAA is associated with SGAE) maintains that Spanish law does permit action to be taken against some of the newer websites (not consumers) such as Ares, Azureus, Sinlamula.com, and Peliculasonline.net. (Comment: The issue of illegal internet downloading will be discussed at a November 7-8 intellectual property rights conference in Madrid organized by the Ministry of Industry, Tourism and Trade. The U.S. Copyright Office is sending a representative, who will participate in the discussions.) (El Pais, 10/9 and 10/07; Expansion, 10/6/07)

2 BILLION EUROS INVESTED IN TELECOMMUNICATIONS

15. (U) Minister of Industry, Tourism, and Commerce Joan Clos testified in an October 9 Senate committee-level hearing that no less than 2 billion euros a year was being invested towards the development of the telecommunications sector in Spain. He said that the federal government was contributing between 1.2 and 1.3 billion euros annually towards this goal, and that regional governments and the private sector were

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contributing the rest. Clos told the Senators that telecommunications was a fast-growing market in Spain, with recent annual profits of 42 billion euros and an annual growth rate of 9 percent. He added that Spain was moving ahead of schedule to lay down high capacity networks, efficiently manage its radio-electric spectrum, and overall modernize and increase capacity in its telecommunications sector.

TOURISM ESTIMATES

16. (U) The number of foreign tourists expected to visit Spain in 2007 is estimated to be up 2 % from last year. Tourism Secretary Amparo Fernandez commented on Tuesday that the GoS

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expects 60 million foreign tourists this year cementing Spain's position as the second-most visited country, after France. (Herald Tribune)

BARCELONA BETTER THAN MADRID FOR BUSINESS START-UP, HOUSING AND QUALITY OF LIFE

17. (U) According to a survey by real-estate consultants Cushman & Wakefield, London was the best EU city in which to start-up a business, followed by Paris second, Frankfurt third, Barcelona fourth, and Madrid seventh. The presence of the two Spanish cities among the top 10 "consolidates the solidity of the development of Spanish cities and positions Spain as a reference point with regard to urban business locations," according to the survey's author.

18. (U) Barcelona, followed by Madrid, also heads up the list of best residential housing for expatriate executives. In hotel accommodations, they placed third and fourth, respectively. Both cities earned high marks for employee

quality of life, with Barcelona first and Madrid third. (El Pais)

MINISTRY OF INDUSTRY UNVEILS PLAN TO STRENGTHEN AERONAUTICAL SECTOR

19. (U) This past week, the Ministry of Industry, Tourism, and Commerce unveiled its 8-year aeronautical strategic plan to strengthen Spain's civil aviation and aerospace sectors. The plan envisions an increase in private and public investment to spur these sectors into tripling the 2005 level of production by 2016. The strategy envisions that with the proper strategic investments, earnings from these sectors would be able to contribute at least 1 percent to the 2016 GDP. The plan proposes greater public-private cooperation and greater regional government involvement, particularly by governments in the regions with a greater concentration of these businesses (Madrid, Andalusia, the Basque region, Castilla la Mancha, and Catalonia).
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